OJSC
NOVOLIPETSK STEEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

AS AT MARCH 31, 2011 AND DECEMBER 31, 2010
AND FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

CONTENTS

Report of Independent Accountants

To the Board of Directors and Shareholders of OJSC Novolipetsk Steel:

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC Novolipetsk Steel and its subsidiaries ("the Group") as at March 31, 2011, and the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the three-month periods ended March 31, 2011 and March 31, 2010. These interim condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group as at December 31, 2010, the related consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for the year then ended (not presented herein), and in our report dated March 30, 2011, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

June 7, 2011

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(All amounts in thousands of US dollars, except for share data)

	Note	As at March 31, 2011	As at December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	2	977,350	747,979
Short-term investments	3	265,312	422,643
Accounts receivable and advances given, net	4	1,294,869	1,259,596
Inventories, net	5	1,784,383	1,580,068
Other current assets		64,590	51,994
Deferred income tax assets		51,143	43,069
		4,437,647	**4,105,349**
Non-current assets			
Long-term investments	3	727,897	687,665
Property, plant and equipment, net	6	9,222,783	8,382,478
Intangible assets, net		181,431	181,136
Goodwill		527,790	494,654
Deferred income tax assets		27,590	21,387
Other non-current assets		25,343	26,356
		10,712,834	**9,793,676**
Total assets		**15,150,481**	**13,899,025**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	1,251,969	1,107,434
Short-term borrowings	8	552,766	525,559
Current income tax liability		26,369	18,803
		1,831,104	**1,651,796**
Non-current liabilities			
Deferred income tax liability		449,800	400,601
Long-term borrowings	8	2,074,115	2,098,863
Other long-term liabilities		194,327	193,951
		2,718,242	**2,693,415**
Total liabilities		**4,549,346**	**4,345,211**
Commitments and contingencies	13	-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2011 and December 31, 2010		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		98,752	98,752
Accumulated other comprehensive loss		(241,445)	(916,901)
Retained earnings		10,653,589	10,261,214
		10,742,336	**9,674,505**
Non-controlling interest		**(141,201)**	**(120,691)**
Total stockholders' equity		**10,601,135**	**9,553,814**
Total liabilities and stockholders' equity		**15,150,481**	**13,899,025**

The accompanying notes constitute an integral part of these interim condensed consolidated financial statements.

	Note	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Revenue	10	**2,358,878**	**1,697,442**
Cost of sales			
Production cost		(1,465,767)	(1,050,443)
Depreciation and amortization		(124,044)	(122,995)
		(1,589,811)	**(1,173,438)**
Gross profit		**769,067**	**524,004**
General and administrative expenses		(85,084)	(66,473)
Selling expenses		(186,446)	(161,348)
Taxes other than income tax		(34,128)	(31,723)
Operating income		**463,409**	**264,460**
Loss on disposals of property, plant and equipment		(5,867)	(1,927)
Losses on investments, net		(3,330)	(1,312)
Interest income		9,479	11,470
Interest expense		-	(7,826)
Foreign currency exchange gain / (loss), net		23,032	(53,381)
Other expenses, net		(14,037)	(24,714)
Income before income tax		**472,686**	**186,770**
Income tax expense		(107,206)	(52,114)
Income, net of income tax		**365,480**	**134,656**
Equity in net earnings / (net losses) of associates	3	15,421	(26,716)
Net income		**380,901**	**107,940**
Add: Net loss attributable to the non-controlling interest		**11,474**	**23,611**
Net income attributable to NLMK stockholders		**392,375**	**131,551**
Income per share – basic and diluted:			
Net income attributable to NLMK stockholders per share (US dollars)		0.0655	0.0219
Weighted-average shares outstanding, basic and diluted (in thousands)	9	5,993,227	5,993,227

(thousands of US dollars)

	Note	For the three months ended March 31, 2011	For the three months ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**380,901**	**107,940**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		124,044	122,995
Loss on disposals of property, plant and equipment		5,867	1,927
Losses on investments, net		3,330	1,312
Equity in (net earnings) / net losses of associates	3	(15,421)	26,716
Deferred income tax expense		11,489	8,137
Gains on unrealized forward contracts		(7,591)	(4,435)
Other, net		4,906	13,971
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		53,869	(122,052)
Increase in inventories		(87,895)	(153,603)
Increase in other current assets		(8,597)	(1,712)
Increase in accounts payable and other liabilities		71,361	95,362
Increase in current income tax payable		6,033	6,162
Net cash provided by operating activities		**542,296**	**102,720**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(386,561)	(234,440)
Proceeds from sale of property, plant and equipment		5,290	3,095
Purchases of investments and placement of bank deposits		(250,874)	(7,993)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled		428,814	12,109
Net cash used in investing activities		**(203,331)**	**(227,229)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		14,677	481,999
Repayment of borrowings and notes payable		(122,554)	(460,455)
Capital lease payments		(12,880)	(16,626)
Dividends to shareholders		(117)	(5)
Net cash (used in) / provided by financing activities		**(120,874)**	**4,913**
Net increase / (decrease) in cash and cash equivalents		**218,091**	**(119,596)**
Effect of exchange rate changes on cash and cash equivalents		11,280	29,853
Cash and cash equivalents at the beginning of the year	2	747,979	1,247,048
Cash and cash equivalents at the end of the period	2	**977,350**	**1,157,305**

(thousands of US dollars)

	Note	NLMK stockholders							
		Common stock	Statutory reserve	Additional paid-in capital	Accumulated other compre-hensive loss	Retained earnings	Non-controlling interest	Compre-hensive income / (loss)	Total stockholders' equity
Balance at December 31, 2009		**221,173**	**10,267**	**112,450**	**(796,756)**	**9,171,068**	**(108,334)**	**-**	**8,609,868**
Comprehensive income:									
Net income / (loss)		-	-	-	-	131,551	(23,611)	107,940	107,940
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	200,739	-	(3,672)	197,067	197,067
Comprehensive income								305,007	**305,007**
Balance at March 31, 2010		**221,173**	**10,267**	**112,450**	**(596,017)**	**9,302,619**	**(135,617)**	**-**	**8,914,875**
Balance at December 31, 2010		**221,173**	**10,267**	**98,752**	**(916,901)**	**10,261,214**	**(120,691)**	**-**	**9,553,814**
Comprehensive income:									
Net income / (loss)		-	-	-	-	392,375	(11,474)	380,901	380,901
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	675,456	-	(9,036)	666,420	666,420
Comprehensive income								1,047,321	**1,047,321**
Balance at March 31, 2011		**221,173**	**10,267**	**98,752**	**(241,445)**	**10,653,589**	**(141,201)**	**-**	**10,601,135**

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Open Joint Stock Company Novolipetsk Steel (the "Parent Company", or "NLMK") and its subsidiaries (together – the "Group") as at and for the year ended December 31, 2010. The December 31, 2010 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

In the opinion of the Group's management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The financial results of the periods reported herein are not necessarily indicative of future financial results.

Functional and reporting currency

The Group's principal functional currency is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency. The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for interim condensed consolidated statement of income accounts and historic rates for equity accounts.

The Central Bank of the Russian Federation's closing rates of exchange as at March 31, 2011, December 31, 2010, March 31, 2010 and December 31, 2009 were 1 US dollar to 28.4290, 30.4769, 29.3638 and 30.2442 Russian rubles, respectively. The period weighted average exchange rates for the three months ended March 31, 2011 and March 31, 2010 were 29.2695 and 29.8903 Russian rubles to 1 US dollar, respectively.

Recent accounting pronouncements

In December 2010, The FASB issued ASU 2010-28, *Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU 2010-28) that amends Topic 350, *Intangibles – Goodwill and Other*, of the FASB codification. For the reporting units with zero or negative carrying value, an entity is required to perform the goodwill impairment test if it is more likely than not that a goodwill impairment exists. An entity should consider any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The Group adopted ASU 2010-28 from January 1, 2011. The adoption of ASU 2010-28 did not have a material impact on the Group's consolidated financial position and results of operations.

In December 2010, The FASB issued ASU 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29) that amends Topic 805, *Business Combinations*, of the FASB codification. ASU 2010-29 specifies that an entity should disclose revenue and earnings of the combined entity in comparative period as though the business combination had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-29 also expands the supplemental pro forma disclosures. ASU 2010-29 is effective prospectively for business combinations occurred on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Group adopted ASU 2010-29 for business combinations occurred from January 1, 2011. The adoption of ASU 2010-29 did not have a material impact on the Group's consolidated financial position and results of operations.

(thousands of US dollars)

2 CASH AND CASH EQUIVALENTS

	As at March 31, 2011	As at December 31, 2010
Cash – Russian rubles	110,743	131,555
Cash – US dollars	95,683	117,343
Cash – other currencies	50,753	45,353
Deposits – Russian rubles	116,333	151,426
Deposits – US dollars	266,492	210,743
Deposits – Euros	335,316	91,147
Deposits – other currencies	510	3
Other cash equivalents	1,520	409
	977,350	**747,979**

3 INVESTMENTS

Balance sheet classification of investments:

	As at March 31, 2011	As at December 31, 2010
Short-term investments and current portion of long-term investments		
Bank deposits	246,628	405,784
Other	18,684	16,859
	265,312	**422,643**
Long-term investments		
Loans to related parties (Note 12(b))	549,687	515,264
Investments in associates	178,067	170,192
Other	143	2,209
	727,897	**687,665**
Total investments	**993,209**	**1,110,308**

Investments in associates

	As at March 31, 2011 Ownership	As at December 31, 2010 Ownership	As at March 31, 2011	As at December 31, 2010
Steel Invest & Finance (Luxembourg) S.A.	50.00%	50.00%	171,439	164,009
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.00%	50.00%	6,628	6,183
			178,067	**170,192**

(thousands of US dollars)

3 INVESTMENTS (continued)

Acquisition of Steel Invest & Finance (Luxembourg) S.A. shares

In December 2006, the Group acquired 50% of the issued shares of SIF S.A. for $805 million accounted for by the Group under the equity method (within the steel segment) in line with a strategic partnership with the Duferco Group who holds an equal participation in SIF S.A.'s share capital.

SIF S.A. holds 100% interests or majority votes in 24 companies located in Europe and USA which include one steel making plant and five steel rolling facilities as well as a network of steel service centers.

The transaction agreements provide for the call options for the Group and put and call options arrangements for Duferco in the event of future major corporate events, including future disagreements, modified in February 2008 to include:

– the Group has a perpetual option to acquire one share of SIF S.A. at the per share price of the Original Transaction and thus increase its participation in SIF S.A. to a controlling (50% plus one share);
– effective from December 18, 2010 the Group has a perpetual option to buy, and Duferco has a perpetual option to sell all of Duferco's interest in SIF S.A. at a price based on the change in the consolidated shareholders equity of SIF S.A. between December 2006 and the exercise date.

There were no material assets and liabilities in relation to these options, therefore no adjustments were recorded in these interim condensed consolidated financial statements.

In April 2011 the Group signed a binding agreement to acquire the additional 50% shares in SIF S.A. (Note 14(a)).

Information about the Group's operations with SIF S.A. and its subsidiary is disclosed in Note 12.

4 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2011	**As at December 31, 2010**
Trade accounts receivable	797,076	728,153
Advances given to suppliers	190,777	201,745
Taxes receivable	381,610	416,833
Accounts receivable from employees	3,899	4,035
Other accounts receivable	186,388	148,964
	1,559,750	1,499,730
Allowance for doubtful debts	(264,881)	(240,134)
	1,294,869	**1,259,596**

As at March 31, 2011 and December 31, 2010 accounts receivable of $34,541 and $15,373 served as collateral for certain borrowings (Note 8).

As at March 31, 2011 and December 31, 2010, the Group had other accounts receivable of $95,354 and $88,951, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were mostly acquired by the Group through a business combination in 2007.

(thousands of US dollars)

5 INVENTORIES

	As at March 31, 2011	As at December 31, 2010
Raw materials	919,807	870,160
Work in process	345,145	332,284
Finished goods and goods for resale	595,567	445,961
	1,860,519	1,648,405
Provision for obsolescence	(76,136)	(68,337)
	1,784,383	**1,580,068**

As at March 31, 2011 and December 31, 2010, inventories of $32,340 and $27,898, respectively, served as collateral for certain borrowings (Note 8).

6 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2011	As at December 31, 2010
Land	168,506	154,225
Mineral rights	572,955	534,445
Buildings	1,649,426	1,532,788
Land and buildings improvements	1,409,706	1,322,321
Machinery and equipment	6,720,179	6,150,022
Vehicles	406,409	364,107
Construction in progress and advances for construction and acquisition of property, plant and equipment	3,974,667	3,519,758
Leased assets	394,867	372,405
Other	76,821	72,168
	15,373,536	14,022,239
Accumulated depreciation	(6,150,753)	(5,639,761)
	9,222,783	**8,382,478**

As at March 31, 2011 and December 31, 2010, property, plant and equipment of $10,105 and $19,654 (net book value), respectively, served as collateral for certain borrowings (Note 8).

The amounts of interest capitalized are $41,293 and $39,796 for the three months ended March 31, 2011 and March 31, 2010, respectively.

(thousands of US dollars)

7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2011	As at December 31, 2010
Trade accounts payable	579,788	466,988
Advances received	175,719	199,407
Taxes payable other than income tax	141,359	120,287
Accounts payable and accrued liabilities to employees	180,596	149,827
Dividends payable	2,132	2,102
Short-term capital lease liability	38,901	38,430
Other accounts payable	133,474	130,393
	1,251,969	**1,107,434**

8 SHORT-TERM AND LONG-TERM BORROWINGS

	As at March 31, 2011	As at December 31, 2010
Parent Company		
Loans, EURO denominated, with interest rates from EURIBOR (6 m) +1.5% to EURIBOR (3 m) +3.5% per annum, mature 2011-2019	619,887	582,192
Bonds, RUR denominated, with interest rates from 7.75% to 10.75% per annum	901,894	835,059
Loans, US$ denominated, with interest rates from LIBOR +1.2% to 3.86% per annum, mature 2011-2013	1,004,185	1,104,707
Companies of the Long products segment		
Russian rubles		
Other borrowings	1,929	1,844
Euros		
Loans with interest rates from EURIBOR (6 m) +1.3% to EURIBOR (6 m) +3.6% per annum, mature 2011-2017	20,716	23,585
Other borrowings	2,918	4,416
	2,551,529	**2,551,803**
Other companies		
Loan, RUR denominated, with interest rate 10% per annum	31,700	29,019
Loan, US$ denominated, with interest rate 5% per annum	27,445	28,819
Loan, EURO denominated, with interest rate EURIBOR (6 m) +5% per annum	2,971	2,910
Other borrowings	13,236	11,871
	2,626,881	**2,624,422**
Less: short-term loans and current maturities of long-term loans	(552,766)	(525,559)
Long-term borrowings	**2,074,115**	**2,098,863**

The Group’s long-term borrowings as at March 31, 2011 mature between 2 to 7 years.

8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

Major terms of loan agreements

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, clauses regarding the possibility of acceleration in case of unfavorable economic situation and also clauses in relation to performance of the borrowers, including cross default provisions, as well as legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies are in compliance with debt covenants as of the date these interim condensed consolidated financial statements were available to be issued.

9 EARNINGS PER SHARE

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income (thousands of US dollars)	392,375	131,551
Basic and diluted net income per share (US dollars)	**0.0655**	**0.0219**

Basic net income per share of common stock is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the reporting period. The Parent Company does not have potentially dilutive shares outstanding.

Dividends payable amounted to $2,132 and $2,102 as at March 31, 2011 and December 31, 2010, respectively.

10 SEGMENT INFORMATION

The Group has four reportable business segments: steel, long products, mining and coke-chemical. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

Revenue from segments that does not exceed the quantitative thresholds is primarily attributable to two operating segments of the Group. Those segments include insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment. The amount of investments in equity method investee and equity in net losses of associates are included in the steel segment (Note 3).

The Group's management determines intersegmental sales and transfers, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, operating income and income, net of income tax.

(thousands of US dollars)

10 SEGMENTAL INFORMATION (continued)

Segmental information for the three months ended March 31, 2011 and their assets as at March 31, 2011 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	2,008,842	259,590	20,095	70,351	-	2,358,878	-	2,358,878
Intersegment revenue	48,674	111,276	274,195	236,729	-	670,874	(670,874)	-
Gross profit / (loss)	**442,339**	**61,099**	**209,945**	**71,867**	**(48)**	**785,202**	**(16,135)**	**769,067**
Operating income / (loss)	**223,987**	**6,553**	**196,372**	**52,942**	**(334)**	**479,520**	**(16,111)**	**463,409**
Income / (loss), net of income tax	**238,495**	**(56,635)**	**160,831**	**39,876**	**201**	**382,768**	**(17,288)**	**365,480**
Segment assets, including goodwill	13,618,836	2,449,543	1,460,235	914,412	54,400	18,497,426	(3,346,945)	15,150,481

Segmental information for the three months ended March 31, 2010 and their assets as at December 31, 2010 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,471,847	162,027	12,907	50,304	357	1,697,442	-	1,697,442
Intersegment revenue	21,062	62,129	139,680	143,606	17	366,494	(366,494)	-
Gross profit	**408,484**	**13,458**	**75,905**	**38,388**	**153**	**536,388**	**(12,384)**	**524,004**
Operating income / (loss)	**208,412**	**(23,948)**	**62,292**	**26,398**	**(139)**	**273,015**	**(8,555)**	**264,460**
Income / (loss), net of income tax	**131,101**	**(83,196)**	**49,640**	**16,845**	**359**	**114,749**	**19,907**	**134,656**
Segment assets, including goodwill	12,432,542	2,276,364	1,195,472	824,216	43,092	16,771,686	(2,872,661)	13,899,025

11 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

(b) Commercial risks

The Group minimizes its sales risks by having a wide range of geographical zones for sales, which allows the Group to respond quickly to changes in the situation on one or more sales markets on the basis of an analysis of the existing and prospective markets.

The Group's sales outside the Russian Federation in monetary terms for the three months ended March 31, 2011 and March 31, 2010 were 57% and 62% of the total sales, respectively.

The Group relies on export sales to generate foreign currency earnings. As the Group sells outside the Russian Federation a significant portion of its production, it is exposed to foreign currency risk as well as global economic and political risks.

The Group's future profitability and overall performance are strongly affected by the prices of ferrous metal products set in the international metal trading market that are subject to significant fluctuations.

12 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850. Balances as at March 31, 2011 and December 31, 2010 and transactions for the three months ended March 31, 2011 and March 31, 2010 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and one of its subsidiaries were $201,612 and $182,576 for the three months ended March 31, 2011 and March 31, 2010, respectively. Sales to other related parties were $3,980 and $1,711 for the three months ended March 31, 2011 and March 31, 2010, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $234,662 and $215,649 as at March 31, 2011 and December 31, 2010, respectively. Accounts receivable from other related parties equaled $2,810 and $5,559 as at March 31, 2011 and December 31, respectively.

Purchases and services

Purchases from subsidiary of an associate (SIF S.A.) were $50 and nil for the three months ended March 31, 2011 and March 31, 2010, respectively. Purchases from the companies under common control were $46,559 and $403 for the three months ended March 31, 2011 and March 31, 2010, respectively.

Accounts payable to subsidiary of an associate (SIF S.A.) were nil and $7,500 as at March 31, 2011 and December 31, 2010, respectively. Accounts payable to the related parties were $27,830 and $72,072 as at March 31, 2011 and December 31, 2010, respectively.

12 RELATED PARTY TRANSACTIONS (continued)

(b) Financial transactions

The carrying amount of loans issued to SIF S.A. and its subsidiary, including interest accrued, is $549,687 and $515,264 as at March 31, 2011 and December 31, 2010, respectively.

As at March 31, 2011 and December 31, 2010, the Group issued guarantees for SIF S.A. and its subsidiaries amounting to $236,603 and $217,496, respectively. These guarantees are mostly issued in favor of banks.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT and OJSC Lipetskcombank) amounted to $66 682 and $94,147 as at March 31, 2011 and December 31, 2010, respectively. Related interest income from these deposits and current accounts for the three months ended March 31, 2011 and March 31, 2010 amounted to $278 and $257, respectively.

During the three months ended March 31, 2010, the company under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT) purchased bonds issued by the Parent Company of $11,731 (as at the date of issue).

(c) Contributions to non-governmental pension fund and charity fund

Total contributions to a non-governmental pension fund and charity fund amounted to $320 and $887 for the three months ended March 31, 2011 and March 31, 2010, respectively. The Group has no long-term commitments to provide funding, guarantees, or other support to the abovementioned funds.

13 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group's export trading activities are subject to from time to time compliance reviews of importers' regulatory authorities. The Group's export sales were considered within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements as a result of anti-dumping investigations has been made in the accompanying interim condensed consolidated financial statements.

(b) Litigation

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The management of the Group believes that any ultimate liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the accompanying interim condensed consolidated financial statements.

In January 2010, the Parent Company received a claim from the non-controlling shareholder of OJSC Maxi-Group filed with the International Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry (hereinafter, ICA Court) to enforce the additional payment by the Parent Company for the shares of OJSC Maxi-Group in accordance with the binding agreement. This claim is based on the non-controlling shareholder's interpretation of the binding agreement. In February 2010, as a result of due diligence of Maxi-Group entities, the Parent Company filed a counter-claim to ICA Court seeking collection from the non-controlling shareholder of OJSC Maxi-Group of excessively paid amounts for the acquired shares.

In March 2011, the ICA Court partially (in the amount of $337 million, at the exchange rate as of March 31, 2011) satisfied the claims of the Maxi-Group's non-controlling shareholder against the Parent Company. In April 2011 the Group's management initiated proceedings to challenge the resolution of the ICA Court, sending an application to the Arbitration Court of Moscow. The hearing related to this case is scheduled for the second half of June 2011. Management believes that it is less than probable that the Group will have to pay a material amount as a result of this dispute, and therefore no adjustments in relation to this claim were made in these interim condensed consolidated financial statements.

13 COMMITMENTS AND CONTINGENCIES (continued)

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

(d) Insurance

To minimize its risks the Group has voluntary insurance contracts to insure property, plant and equipment, land transport and aircraft as well as certain type of cargo and purchased accident and health insurance, and medical insurance for employees, and directors and officers liability insurance (D&O). The Group also purchases operating entities civil liability coverage for dangerous production units.

(e) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to $1,528,102 and $1,973,043 as at March 31, 2011 and December 31, 2010, respectively.

(f) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund certain social programs through the foreseeable future. These costs are recorded in the period they are incurred.

(g) Tax contingencies

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at March 31, 2011, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these interim condensed consolidated financial statements.

(h) Financial guarantees issued

As at March 31, 2011 and December 31, 2010, the Group has issued guarantees amounting to $237,659 and $218,553, respectively, which equals to their maximum potential amount of future payments. Most of these guarantees were issued for related parties (Note 12(b)). No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.

14 SUBSEQUENT EVENTS

(a) Exercise of SIF S.A. option

In April 2011, the Group signed a binding agreement to acquire the additional 50% of SIF S.A. shares from Duferco Group. The purchase price is about $600 million, payable in four equal annual installments. The deal is expected to be closed in the second quarter of 2011, once the required regulatory approvals are received. This acquisition is in line with the Group's ongoing strategy to create a dynamic international business further enhancing its competitive strengths on the global market.

(b) Disposal of 100% share in NTK LLC

In June 2011, the Parent Company has completed disposal of 100% of its share in NTK LLC and its subsidiaries (hereinafter, NTK) to an entity under common control for a cash consideration of about $325 million. This transaction was carried out in line with the earlier announced strategy of the Group's further development. In accordance with a resolution passed by the Board of Directors Strategic Planning Committee in April 2010, the interest in NTK was classified as a non-core asset.

Management of the Group plans to continue to use the transportation services provided by NTK. Accordingly, operations of NTK in these interim condensed consolidated financial statements are reflected within continuing operations of the Group.

(c) Dividends

In June 2011, the Parent Company declared dividends for the year ended December 31, 2010 of 1.82 Russian rubles per share for the total of $378,687, including interim dividends for the six months ended June 30, 2010 of 0.62 Russian ruble per share for the total of $122,218.

The Group's management has performed an evaluation of subsequent events through the period from April 1, 2011 to June 7, 2011, which is the date when these interim condensed consolidated financial statements were available to be issued.